Total Compensation Planning:
Review of 2016 – Projections for 2017

Sponsored by BOSE Corporation and the Wilson Group

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Overview of the Survey and Participants' Profile

Overview of Compensation Planning for 2016 - 2017 – A Survey Report:

This survey was created to fill an important gap in information about compensation plans. As companies consider changes in their business strategies and develop their plans for 2017, it is often very important to examine the projections and trends regarding compensation plans. With the uncertainty of a new administration in Washington, it is important to examine what firms are considering regarding their talent and total compensation practices. This report provides information and insights on overall compensation plans – base salaries, variable pay, sales compensation plans, and equity based compensation and other forms of total rewards. We will look at current practices and the projections and plans for improvements for 2017.

This survey was conducted in collaboration with Vickie Cudmore, Director of Compensation and Trupti Khanderia, Compensation Analyst with the **BOSE Corporation**. Our joint sponsorship of this survey is intended to bring important information to the market. We know that information is essential to effective decision making. Further, Wilson Group worked with BOSE to design the survey questions, and we administered the survey so that individual company responses can be kept highly confidential. We appreciate the contribution and collaboration with members of BOSE Corporation. We hope you find this report of value to your planning and setting 2017 priorities.

If you would like to discuss the data in this report, the implications on your organization, or plans for change and improvements, please contact us. We look forward to being of service to you, your executives and your company.

All the best,

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I. Overview of the Survey and Participants' Profile

Overview of Compensation Planning for 2017 – The Survey Report:

Based on the results of this survey, several of the most important findings include:

1. **Merit pay increases will mirror much of what was provided over the last several years.** The median pay increases for 2016 were 3.0% and the same is projected for 2017. The range of merit increases is very small, with the 25th percentile at 2.5% and the 75th percentile being the same as the median. The overall average was 2.9%. More people will receive a merit increase as in previous studies; participants indicated only 2.5% of the employees will NOT receive a merit increase. This is reflecting an increasing pressure to retain employees in an increasingly competitive marketplace for talent.

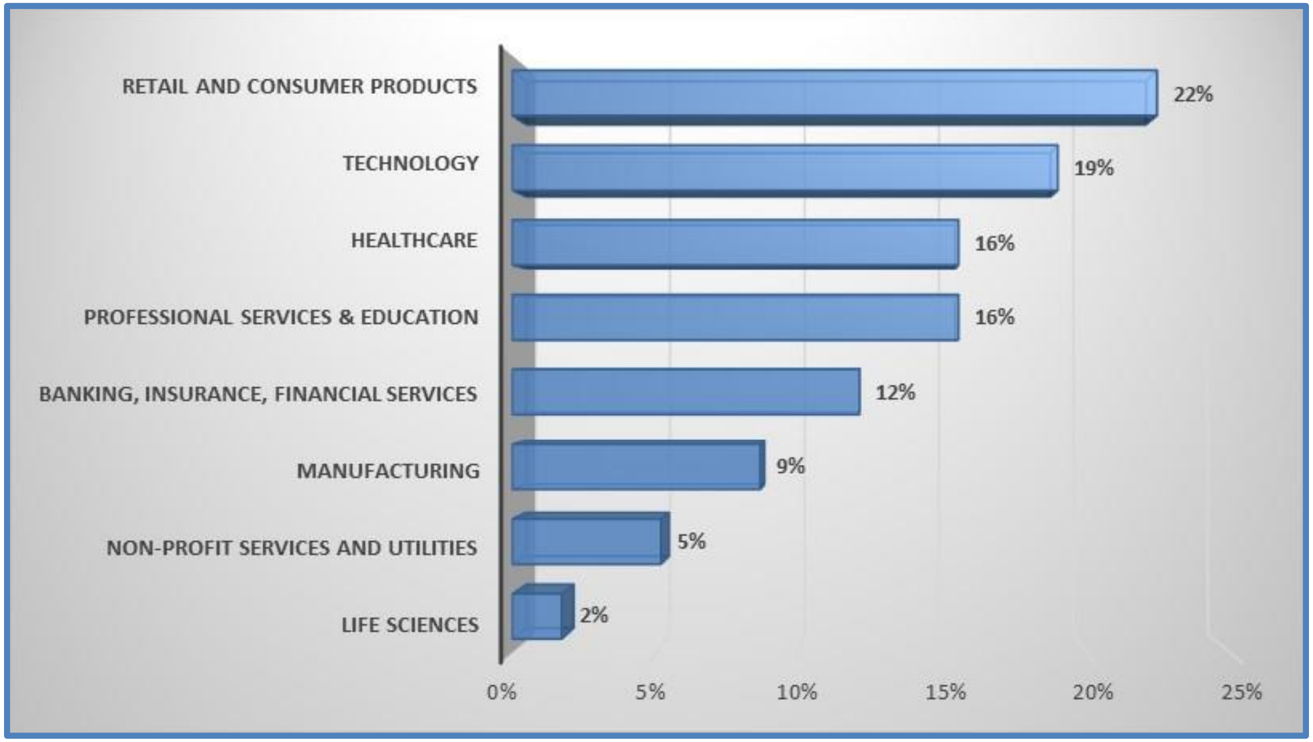
2. **Bonus payouts were strong in 2016.** Virtually all companies in the survey use bonus plans and 52% include all employees in these programs. The median payout compared to the target payout for 2016 (based on 2015 performance) was 100%, which indicates the companies met their performance targets. The payouts ranged from 50% of target (at the 10th percentile) to 120% of target (at the 90th percentile). This is a higher range of payouts than shown in previous surveys.

3. **Meeting potential new FLSA requirements is a critical issue for 2016 and 2017**. Most companies are currently examining the implications for changes in the jobs eligible for overtime. This is likely to have a major impact on time tracking systems and pay levels. Positions previously considered exempt but below the new pay threshold in the new proposed regulations will likely see pay increased to retain the exemption from overtime. Many companies are looking for ways to administer time effectively while keeping employees feeling that they are highly valued. The changes are encouraging many companies to examine their entire base pay structure and assure that it meets the needs of the company and its people.

4. **Few companies reported actions to make any significant changes to their compensation plans in 2017.** The changes that are being considered or planned reflect a continued pressure to encourage and reward performance and retain critical talent. The type of changes being considered for 2017 are:
   - **(a) Base salaries**: Installing new base pay systems and then training managers and employees on the new system
   - **(b) Variable/Bonus pay**: Modifying the performance measures and weighting, and in some cases the payout targets
   - **(c) Sales incentives**: Focusing on retaining customers, acquiring new customers and simplifying the sales plan
   - **(d) Equity/Ownership plan**: Continuing the shift from options to restricted stock units and updating the award guidelines
   - **(e) Special recognition awards**: Creating more formal programs for making recognition awards, gift cards, passes, etc.

Demographics: Industry Composition of the Survey

The survey includes information from 58 companies. The companies represent a broad range of industries. Approximately 22% of the respondents come from Retail and Consumer Products, and 20% come from Technology firms. Health care, professional services and educational institutions represent about 16% each. In total, these industry breakdowns are very reflective of the New England market for companies.



I. Overview of the Survey and Participants' Profile

Demographics: Profile of the Participating Companies

The survey reflects responses from a broad range of companies in terms of their revenue size and employee population. The median revenue of the participating companies is $313M and they have approximately 525 employees. There are a number of very large companies and many mid-market size companies. This means that the survey provides important information from a large breadth of companies. As you will see in the report, despite this wide range of companies, the actual variation in the responses is not different across company size. So, even though there is a significant range of companies, there appears to be very similar pay practices for 2016 and 2017.

The demographics and other size indicators of this group are the following:

	2015 Revenues	Total Number of US Employees	Total Payroll (US)	Revenues per Employee	Payroll as a Percent of Revenues
25th Percentile	$78,997,840	265	$11,912,500	$210,707	11%
50th Percentile	**$312,500,000**	**525**	**$35,177,000**	**$379,588**	**19%**
75th Percentile	$1,584,000,000	3,375	$180,567,023	$805,556	39%
Average	*$1,850,792,870*	*9,625*	*$302,082,320*	*685,743*	*27%*

I. Overview of the Survey and Participants' Profile

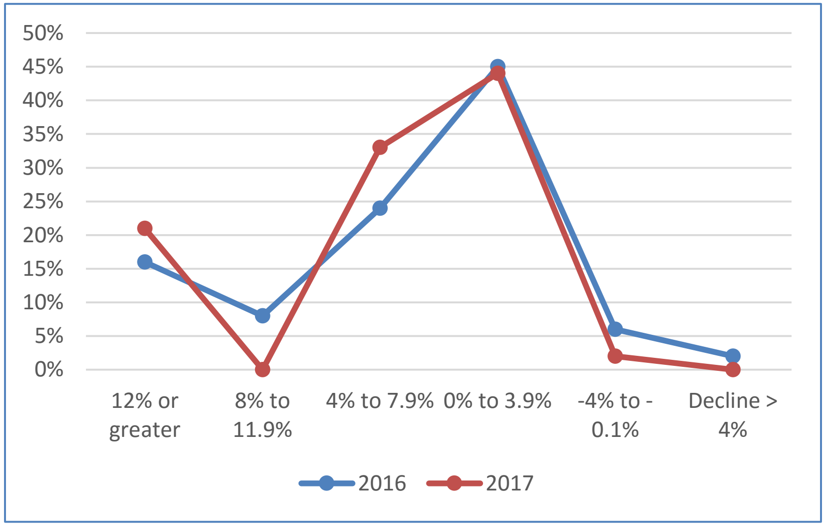
List of Survey Participants

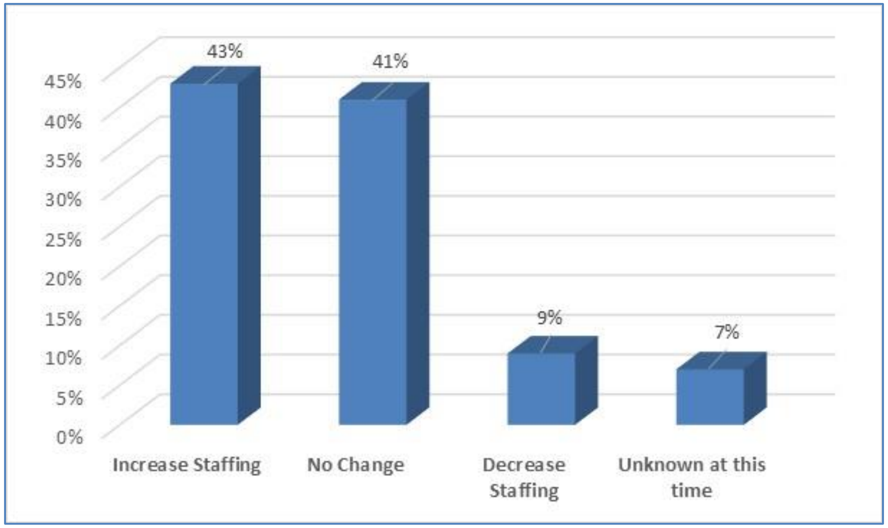
47 Brand LLC
AAA Northeast
Advance Transit
AIPSO
American Dental Partners
American Student Assistance
American Tower
aPriori Technologies
Artisan Industries
Aspen Technology
Atrius Health
Beacon Mutual Insurance Company
Blount Fine Foods Corp
Blue Cross & Blue Shield of Rhode Island
Bose Corporation
Boston Symphony Orchestra
Buchanan Group
Carter's
Casa Systems, Inc.
Chroma Technology Corp
Cimpress
Clean Harbors
Dana-Farber Cancer Institute
Dartmouth Hitchcock
DentaQuest
Eastern Bank
Everbridge Inc.
Harvard University
Health Care & Rehabilitation Services of SE Vermont
HTP, Inc.
HubSpot
IMTRA Corporation
iRobot
Jewish Family & Children's Service
John Matouk & Co.
Kendal at Hanover
Keyword Connects LLC
Kimberly Clark
Mascoma Savings Bank
Mathworks
Milton's Distributing Co, Inc.
MIT Lincoln Laboratory
New Balance Athletics
Newport Harbor Corporation
Nuance Communications
Repligen Corporation
RiverMead
Roche Bros Supermarkets
Smith College
Stratus Technologies
Sullivan County, NH
The MITRE Corporation
The TJX Companies, Inc.
Tufts Health Plan
Tufts University
Vaccon
Vermont Gas Systems
Xcerra Corporation

Demographics: Revenue Growth Projections and Hiring Plans

The line graph below (left) shows the revenue growth in 2016 (blue line) and the initial projections for 2017. This data shows a very modest increase in the growth rates between 2016 and 2017. This is consistent with the other staffing plans and projections for pay and other compensation programs – cautious, modest growth.

The bar graph (right) shows the expectations for hiring. There appears to be an equal number of companies projecting a need to increase staffing to those who see no change in their staffing levels for 2017. Few companies see a decrease in staffing.





Demographics: Turnover Rates

The table below shows the turnover rates for companies participating in this survey. Overall, the Voluntary rates (turnover that is initiated by the employee) are three times the Involuntary (initiated by the employer). These data are consistent with other staffing surveys, and does show that companies are facing greater need to manage their retention. Where the unemployment rate is low, companies are facing significant challenges to retain talent. Exactly where this is most acute is shown on the next page.

Turnover Rates	Voluntary	Involuntary
25th Percentile	7%	2%
50th Percentile	10%	3%
75th Percentile	17%	6%
Overall Average	15%	5%

Demographics: Hiring Challenges

The companies in this survey are facing hiring challenges with the professional workforce. Attracting and retaining talent includes two key functional areas: Information Technology and Engineering. Last year Sales and Marketing and the Finance function were considered "hot." While professional and service related talent are the most challenged of all job levels, there are often very specific job categories, usually in the Operational area, that present serious challenges within companies seeking to attract the "right" talent for their organization.

	Employee Group				
Function	***Executive***	***Management***	***Professional***	***Service***	***Operational***
Information Technology	**6%**	**28%**	**47%**	**47%**	**13%**
Engineering	**3%**	**22%**	**41%**	**34%**	**6%**
Sales & Marketing	**3%**	**16%**	**19%**	**9%**	**3%**
Customer Service	**0%**	**6%**	**3%**	**3%**	**9%**
Operations & Manufacturing	**3%**	**3%**	**0%**	**3%**	**22%**
Finance	**3%**	**0%**	**16%**	**16%**	**6%**
Human Resources	**0%**	**3%**	**6%**	**3%**	**0%**
Other	**0%**	**0%**	**6%**	**3%**	**28%**

PART II

Total Cash Compensation Practices and Projections

Merit increase projections

The merit pay increase projections for 2016 and 2017 show a very tight cluster around 3.0%. There is also little change planned for 2017 from increases made in 2014, and given this is the 4th year of this survey, the pattern has not changed from year to year. It will be another 3% salary increase year for merit pay.

The only note of significance is the average number of people who will NOT be receiving pay increases is projected to decrease from 11.4% to 3.0% in 2017. The difference between the Median and the Average indicate there are several companies being significantly more disciplined about pay increases in 2016 and 2017. Again, this is a similar pattern that we have seen in previous years, but this drop in the percent of companies not giving salary increases to everyone is a indication of the pressure to retain talent.

	2016 Merit Pay Increases	% NOT Receiving Pay Increase		2017 Planned Merit Pay Increases	% NOT Receiving Pay Increase
25th Percentile	**2.5%**	1.0%		**2.9%**	0.0%
50th Percentile	**3.0%**	3.0%		**3.0%**	2.5%
75th Percentile	**3.0%**	10.5%		**3.0%**	5.8%
Average	**2.9%**	11.4%		**3.0%**	6.4%

II. Total Cash Compensation Practices and Projections

Salary Ranges, Promotional and Special Market Adjustment Budgets

Increases in the salary ranges is going to be less than merit pay by about 1%. Again, this is a standard practice we see in the market, and provides employees an opportunity to increase their position in the salary range to better reflect their increase in performance or competencies. There appears to be little difference between 2016 and 2017.

Most companies do not have a separate budget for promotions or special market adjustments. Approximately one-third of the respondents do use this practice and they tended to be the larger companies. The amount allocated for this purpose in 2017 appears to be declining significantly. This may reflect that the emphasis on pay increases will come from the current salary management process instead of a special fund for addressing pay competitiveness or inequities.

Salary Range Increases	2016	Planned 2017
25th Percentile	1.6%	1.8%
50th Percentile	2.0%	2.0%
75th Percentile	3.0%	3.0%
Overall Average	1.9%	2.3%

Special Budget for Promotions and Salary Increases

2016		Planned for 2017	
Yes	No	Yes	No
29%	71%	31%	69%

	2016 Amount	Planned for 2017 Amount
25h P	0.5%	0.4%
50th P	1.5%	0.5%
75th P	4.3%	1.0%
Average	7.8%	1.2%

Performance based merit pay increase guidelines

The table below shows the average merit increases made to individuals with different levels of performance. The salary range position was not included in these projections. The salary increases tend to range from 1.0% to 5.0% (at the 75th percentile). The important point of this table is that those who are Exceptional or Outstanding performers receive a merit increase that is slightly higher than the "Meets most objectives" (5% versus 3%). The challenge that every company faces is how to enable those who are strong and very strong performers feel appreciated by a merit pay increase that is close to the standard of the company. This places increased pressure on other forms of rewards and recognition. There appears to be some recognition that salary increases are provided to all performers as long as their performance meets a minimum or acceptable standard. The "Highest" and "Lowest" pay increases from the participating companies are also shown to give you a sense of what firms are doing at the extremes.

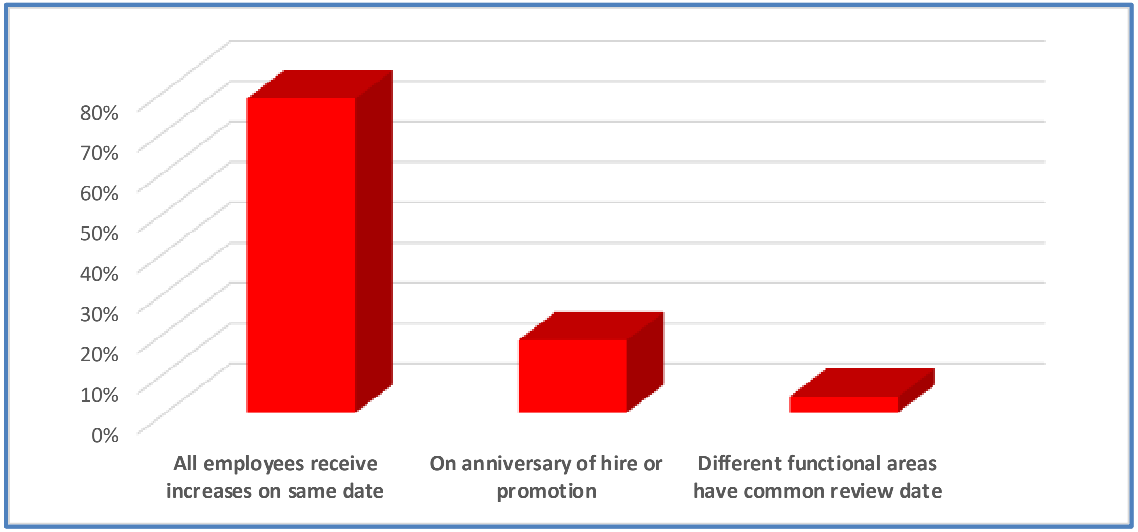
	Exceptional or Outstanding	Exceeds most objectives	Meets most objectives	Falls short on most objectives	Unsatisfactory
25th Percentile	3.5%	3.0%	2.0%	0.0%	0.0%
MEDIAN	4.0%	3.3%	2.8%	0.0%	0.0%
75th Percentile	5.0%	4.0%	3.0%	1.5%	0.0%
AVERAGE	4.5%	3.5%	2.6%	0.8%	0.0%

LOW	1.8%	2.0%	1.0%	0.0%	0.0%
HIGH	10.0%	7.0%	5.0%	2.6%	0.0%

Note: 43% of companies pay 3.0% merit for "Meeting most objectives"

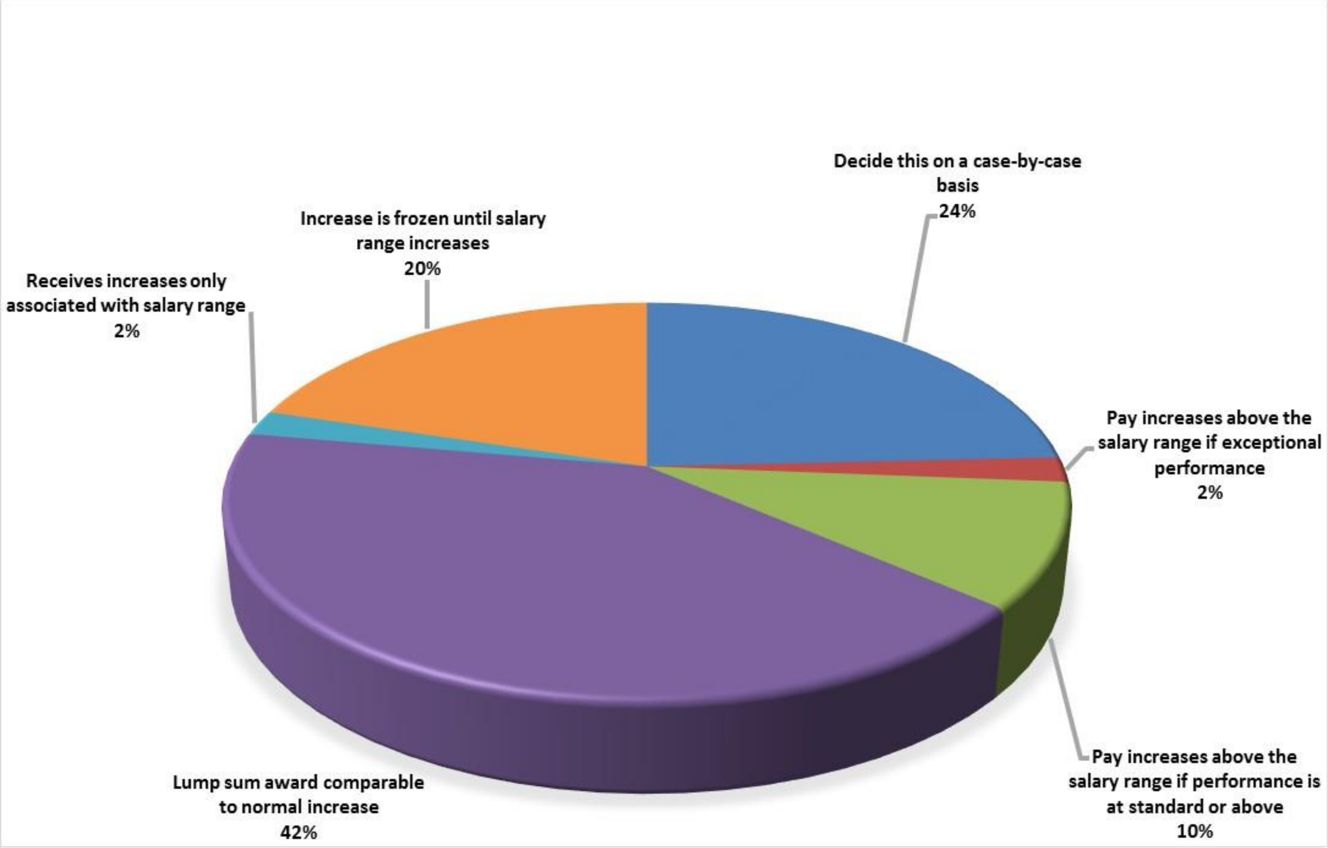
Salary Management Guidelines

The bar graph below shows an interesting guideline for salary management programs. When should pay increases be given? Traditionally companies made pay increases on the "anniversary" date of the employee, determined either by the hire date or the promotion date. But, over time the movement has clearly shifted to providing employees pay increases all on the same date. This enables the manager to then do "comparison" assessments of performance and to allocate pay increases based on comparative process. This means that pay increases are more likely linked to "relative" performance rather than an assessment of "absolute" performance. This process also minimizes the need to follow up (or chase down) managers to get their performance reviews done each month, a much welcomed change in the process. The question, although it is not evidenced by the merit pay practices, is "do managers really use this time to assess the contributions and performance of their staff members and make decisions about pay increases based on true performance?" The challenge is how to make the best use of a limited amount of dollars? The criteria for a salary increase can expand to consider performance, competitiveness of existing pay, internal equity, retention, increases in the skills and abilities (or competencies), all within a limited budget. Fortunately, base salary is only one reward "tool" that managers/executives have at their disposal.



Salary Increase Guidelines: When Someone is at the Maximum of the Salary Range

When an individual is at the top of their salary range, many companies continue to provide normal pay increases but do this as a lump sum payment instead of an increase in one's pay. This helps to create better equity in pay as defined by the salary range. Approximately ¼ of the respondents will make this decision on a case-by-case basis or freeze the individual's salary (no pay increase) until the salary is within the salary range for the position.



Variable Pay (i.e., Bonus) Plans -- Payouts

The tables below show the payouts for bonus plans made in 2016 based on 2015 performance. The great majority of companies in the survey have bonus plans in place. Companies will may an award based on a percent of the target payouts (100%). Since target payouts may differ across companies, this "payout as a percent of target" enables us to compare across companies and industries. For 2016, the payouts were slightly higher than the payouts for last year (2015). The payouts reflect that companies achieved their desired performance targets. The range of the payouts was between 50% and 120% of salary for most organizations (from the 10th to the 90th percentile). However, as shown below, 20% of the participating companies did not make a payout this year.

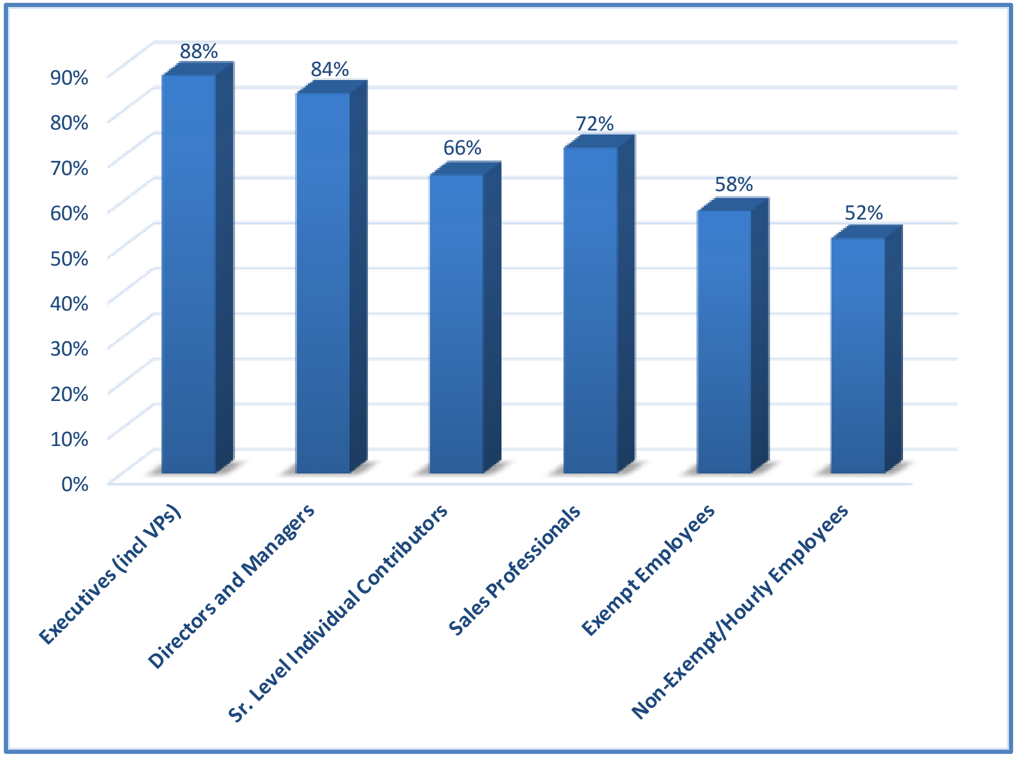
Did your company make bonus payouts in 2016 for 2015 performance?

Yes: 80% **No: 20%**

Actual payouts as percent of the target payouts:	
10th Percentile	**50%**
25th Percentile	**85%**
Median	**100%**
75th Percentile	**110%**
90th Percentile	**120%**
Average	***100%***

Variable Pay (i.e., Bonus) Plans -- Eligibility

The table below shows who is eligible for variable pay plans. In approximately 90% of the organizations, all managerial positions are included in the bonus plans; those that do not have bonus plans for senior management tended to be smaller, non-profit type organizations. Sales positions are almost always included in variable pay plans. Then, just under 60% of senior level contributors and exempt employees are included in these plans. In 52% of the companies, all employees are included. This clearly shows that variable pay plans are a major element of total compensation within most organizations.



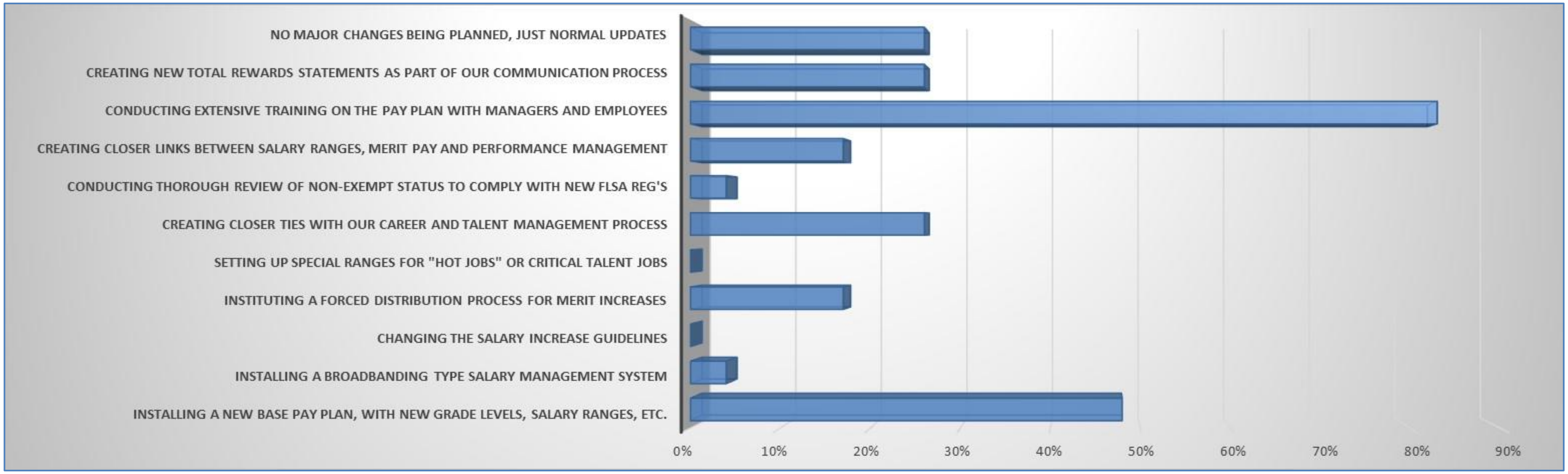
PART III

Plans for Improvements in Compensation Programs

III. Plans for Improvements in Compensation Programs

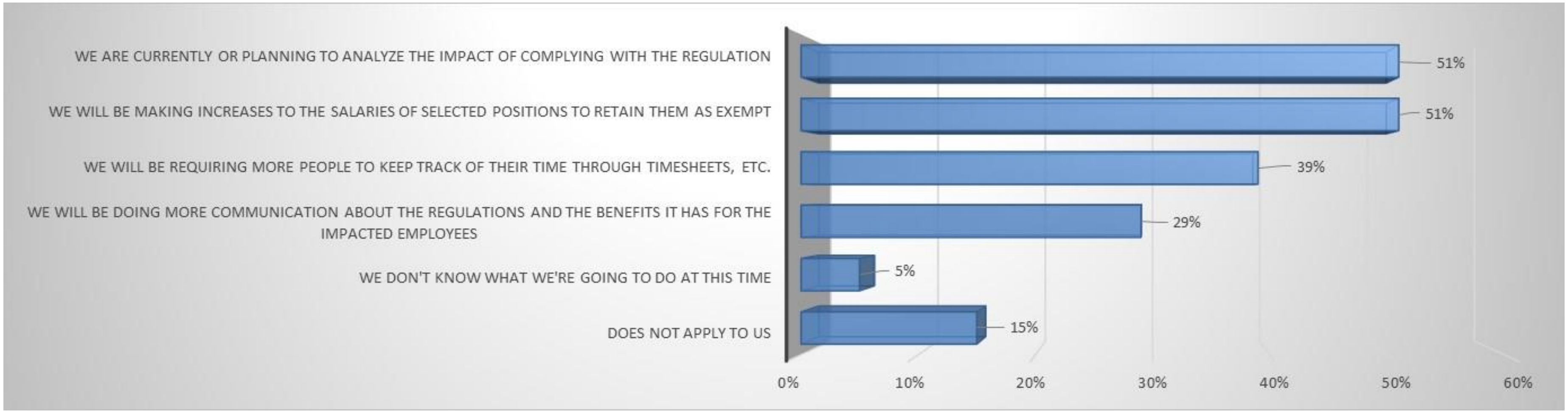
Changes being considered with Base Salary Programs

The chart below shows the percent of companies that are planning changes to their base salary programs. The survey shows that base pay plans are undergoing major rethinking or revision. Some of this is driven by recent regulations by the Department of Labor regarding the Fair Labor Standards Act and the definition of a non-exempt employee. Most companies participating in the survey are looking closely at the application of the proposed regulation (although currently stalled by a recent court action at the time of publishing this report). But, a surprising number of companies are installing a new base pay plan. Perhaps they are looking for a model that will provide greater value and become a strong foundation to their organization as it grows, develops and seeks to attract and retain talent in a more effective manner. Companies need to move beyond the “Let’s Make a Deal” practice and develop a process for making decisions that promotes the values and talent requirements of the company. Linking these programs to a total rewards framework and integrating these programs into a talent management process is a welcomed initiative. In this way, the company can assure that people are paid fairly, competitively, and consistent with the organization’s needs for talent – for now and for the future.



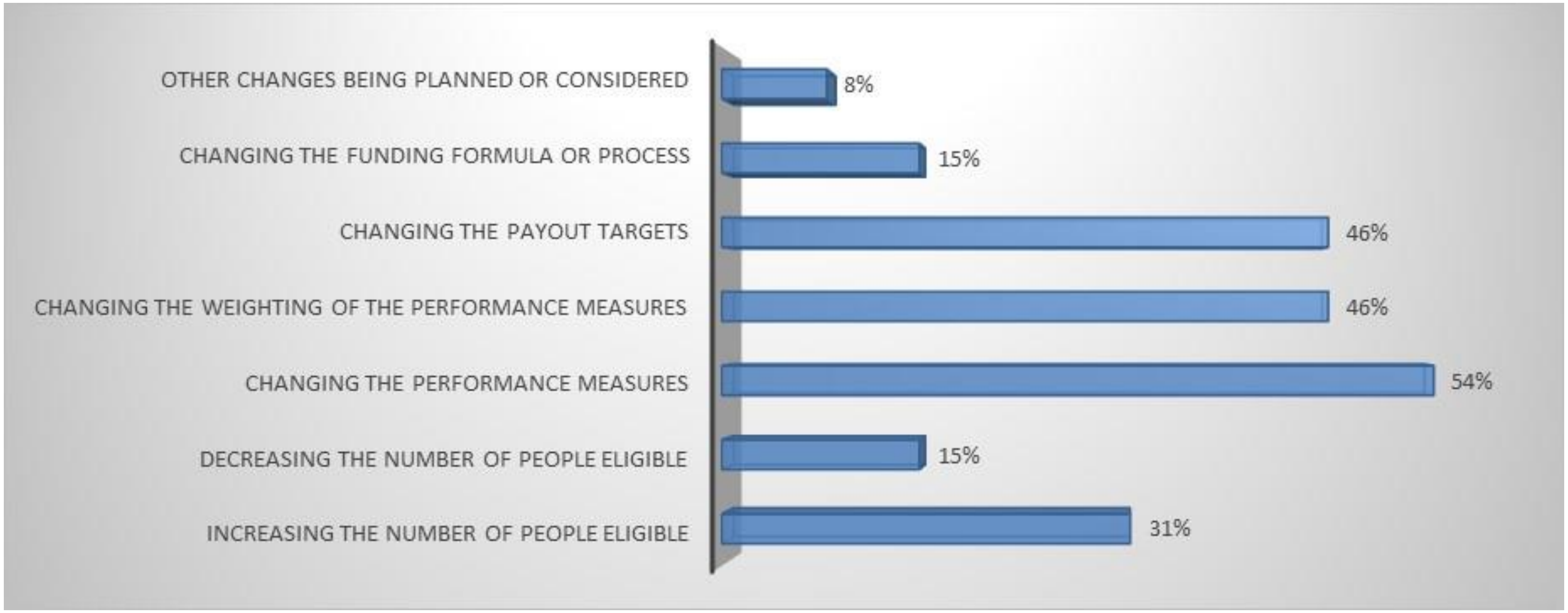
Planned Changes to Address Impact of New FLSA Regulations

The chart below shows the percent of companies that are taking actions to address changing changes brought on by new FLSA regulations. The new regulations as discussed previously are changing the definition of a non-exempt and exempt position (from the FLSA overtime requirements). There are significant implications in the cost of overtime, the perceived “status” of an individual within the organization, and the administrative time recording requirements. The companies in this survey are clearly examining the implications of the regulatory changes and making appropriate adjustments to salaries.



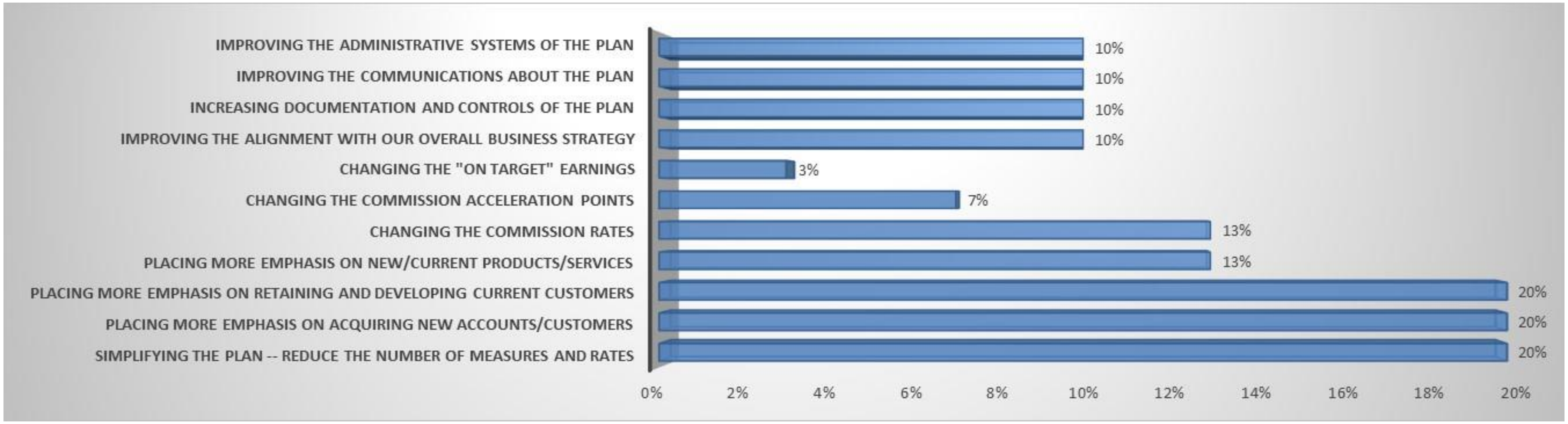
Changes being considered with Variable Pay Programs

The chart below shows the percent of companies that are planning changes to their variable pay programs. Most companies (58%) indicate that they are not making changes to their variable pay program. However, the actions of those who are making adjustments are shown below. The most common focus is on the performance measures, their weighting and the target payouts associated with these metrics. Some organizations are expanding the people eligible for the company's variable pay program in order to engage them more deeply in the strategy, priorities and goals of the organization. Through these efforts, these firms seek to create greater value from their workforce and provide greater rewards to those who achieve their goals.



Changes being considered with Sales Incentive Plans

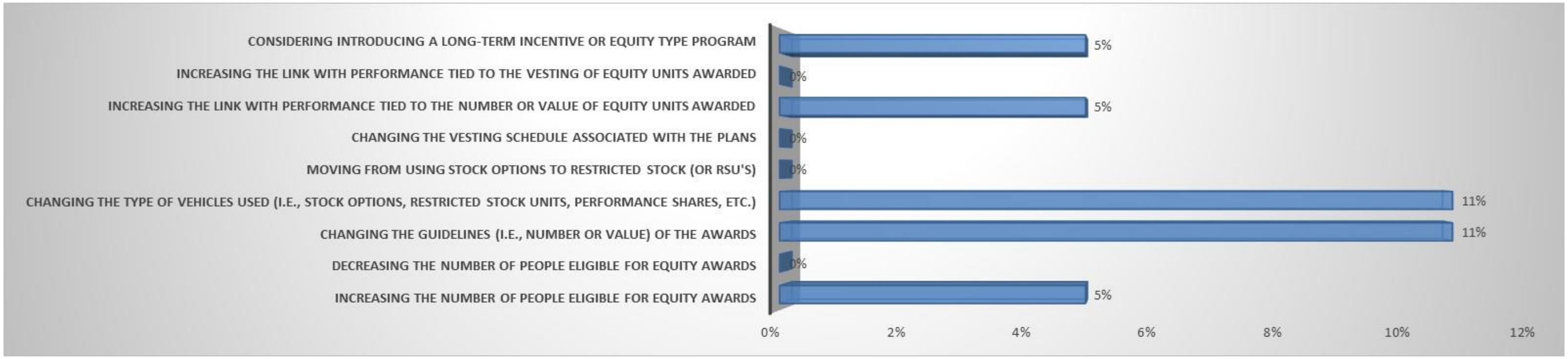
The chart below shows the percent of companies that are planning changes to their sales incentive plans. Overall 80% of companies in the survey indicated that they were not considering any changes to these plans. For those that are taking action, the primary focus is on the sales strategy the company needs to pursue to support its business strategy. Some firms need greater emphasis on generating new customers while others seek to gain greater “share” of their current customers. Many want to do both, but recognize that the talents to prospect, develop and close a new customer are often very different from those where the sales professional becomes “imbedded” in the client organization and expands the share, spend, shelf-space, etc. Clearly the emphasis on improving the communication and effectiveness of the program is critical and has become the focus for several companies. Overall, companies are not seeking to change the “amount” of dollars they spend on sales compensation plans, but are seeking to change “how” the dollars are spent.



Changes being considered with Equity/Ownership Pay Programs

Approximately one-third of the participants provided data on their equity plans. The chart below shows the percent of companies that are planning changes to their equity or ownership incentive plans. Eight-nine percent (89%) of the participants in this survey indicated that they were not making any major changes to these programs. Those that are making changes, are equally split between being a publicly traded and private ownership corporation.

Over the last several years we have seen a dramatic shift from stock options to restricted stock (or restricted stock units). We have seen a major increase in value and income transferred through these programs because the stock of many companies has increased dramatically. However, there is a sense here and in our discussions with the Boards, Compensation Committees and executives of our clients, that the opportunity for growth has declined. This is one reason why full valued programs (like restricted stock units) are more popular than stock options. However, they are not just "awarded", they need to be earned. The emphasis now is to place more performance orientation on these programs. This is reflected here in those companies that are changing the guidelines used for making awards, and increasing the link of these programs to performance using vesting schedules and the number or value of the equity units awarded. Several of those who don't have long-term incentive or equity programs are starting to explore whether or not (and how) such a plan would work for them. Clearly these programs have shown both a major value and liability for the organization. They remain the most important reward tool to balance short-term thinking with long-term, strategic, ownership oriented thinking.



III. Plans for Improvements in Compensation Programs

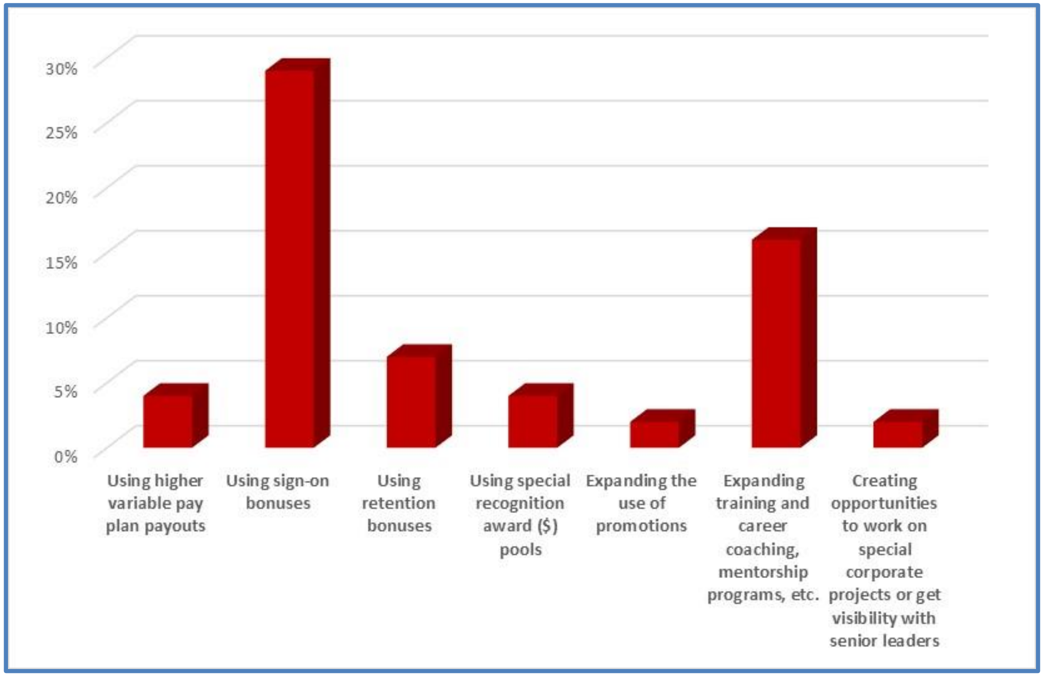
Changes in special cash, recognition and other award programs

The chart below shows the level of use in 2016 of special cash, recognition and award programs. Companies are using a variety of special compensation programs for attracting and rewarding performance. New hire bonuses are used by 68% and a similar number of companies are using Spot Awards (68%) and gift card, movie passes and similar awards to reward special performance (51%). What is interesting is the few number of companies that are considering these programs for 2017. Clearly these programs have demonstrated their value by companies that are using them, as no company reported interest in discontinuing any of these programs. By relying solely on cash compensation programs to encourage and reward desired performance creates some limitations on the tools managers have to improve the performance of their organizations. This will be an important area to monitor as the market for talent and the pressure to remain highly competitive increases with the changes in the marketplace.

	Current Use	Planning for 2016	Discontinuing
Retention bonuses	45%	4%	0%
New Hire bonuses	68%	4%	0%
Spot awards	68%	4%	0%
Project based bonuses	36%	0%	0%
Lump sum in lieu of salary increases	43%	4%	0%
Recognition cash awards (formal program)	60%	4%	0%
Gift card, movies passes, etc. awards	51%	6%	0%
Unlimited vacation policies	4%	0%	0%

Plans or Programs for Attracting or Retaining Critical Talent

Given that the market for talent is becoming increasingly competitive, we explored how survey participants were addressing the "hot jobs" in their organizations. Clearly, sign-on bonuses are the most prevalent method for attracting new talent. In addition, expanding career development, training, and other mentorship programs are important for developing talent. These programs also communicate how the company is seeking to "invest in" the individual and build bench strength for the future. Otherwise, there appears to be limited alternative practices used by these companies. The use of "unlimited vacation" which has received much media attention has very limited use by these companies. The key question is how will your company create a competitive advantage to attract and retain the talent the company needs today and in the future. If one does only what the common market does, then there is no competitive advantage. Finding the unique elements of your organization, and expanding them through your population may, if done successfully, create this desired competitive advantage and strengthen your talent base for today and for the future.



PART IV

Breakout by
Industry Category
& Company Size

Primary Survey Results by Major Industry Categories

The following table shows the survey results for the major industries of companies in this survey.

	Retail & Consumer Products	Technology	Health Care	Financial Services	Manufacturing	Professional Services & Education
Background						
Revenue Growth Projections						
2016	6.3%	8.7%	2.6%	3.3%	6.0%	2.6%
Projections for 2017	8.5%	6.8%	3.6%	2.8%	8.0%	3.3%
Staffing Changes						
Increasing Staff	62%	64%	11%	14%	80%	22%
No Change in Staff	31%	36%	56%	57%	20%	56%
Decreasing Staff	0%	0%	11%	29%	0%	11%
Unknown at the time	0%	0%	22%	0%	0%	11%
Turnover rates (average)						
Voluntary	8.1%	8.8%	21.0%	8.0%	23.0%	10.0%
Involuntary	3.0%	4.4%	4.0%	3.0%	8.3%	3.0%

Primary Survey Results by Major Industry Categories (continued)

	Retail & Consumer Products	Technology	Health Care	Financial Services	Manufacturing	Professional Services & Education
Total Cash Compensation						
Merit Pay Increases						
2016	**3.0%**	**2.9%**	**2.7%**	**3.0%**	**3.0%**	**2.5%**
Projections for 2017	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**2.8%**
% EE's with NO Increase						
2016	**3.0%**	**4.9%**	**0.0%**	**2.5%**	**7.4%**	**2.5%**
Projections for 2017	**2.5%**	**5.2%**	**0.0%**	**2.5%**	**0.0%**	**1.3%**
Salary Range Movement						
2016	**2.0%**	**2.3%**	**2.0%**	**2.0%**	**3.0%**	**2.0%**
Projections for 2017	**3.0%**	**2.3%**	**2.5%**	**2.0%**	**3.2%**	**1.5%**
Bonus Plan Payouts						
% making payouts	**82%**	**82%**	**50%**	**83%**	**60%**	**83%**
Payouts as % of Target	**96%**	**96%**	**100%**	**92.5%**	**n/a**	**100%**

Primary Survey Results by Major Industry Categories (continued)

	Retail & Consumer Products	Technology	Health Care	Financial Services	Manufacturing	Professional Services & Education
Changes Being Planned by Program						
Changes to Base Salary Plans						
Normal Updates	46%	55%	40%	37%	60%	50%
Thorough review of Non-Exempt status	46%	36%	40%	33%	20%	38%
Install new base pay program	15%	18%	25%	33%	20%	25%
Increasing focus on training, competencies	15%	18%	20%	0%	0%	25%
Special salary ranges for Hot Jobs	0%	9%	14%	33%	0%	33%
Assessment of FLSA Impact						
Planning/Conducting Analysis	75%	67%	0%	100%	33%	50%
Salary increases to selected positions	63%	44%	63%	75%	0%	50%
More people keeping track of time	38%	22%	63%	50%	0%	38%
More communication about impact	25%	22%	25%	25%	0%	63%
Uncertain at this time	25%	0%	0%	0%	0%	0%
Changes to Variable Pay						
Normal Updates	62%	73%	75%	66%	50%	n/a
Increasing Eligibility	8%	9%	0%	0%	25%	n/a
Changing weighting of measures	18%	18%	0%	0%	0%	n/a
Changing Measures	23%	18%	0%	0%	0%	n/a
Changes to Sales Compensation						
Normal Updates	89%	89%	n/a	50%	67%	n/a
Simplifying plan design	11%	22%	n/a	25%	0%	n/a
Increasing emphasis on new customers	11%	11%	n/a	25%	33%	n/a
Increasing emphasis on current customers	11%	11%	n/a	50%	33%	n/a
Changes to Equity Plans						
Normal Updates	71%	83%	n/a	n/a	n/a	n/a
Increasing number of eligible people	0%	17%	n/a	n/a	n/a	n/a
Changing guidelines for awards	14%	17%	n/a	n/a	n/a	n/a

Primary Survey Results by Company Size

The following table shows the survey results by size of company in this survey.

	Under $50M	$50M - $250M	$250M - $1B	Over $1B
Background				
Revenue Growth Projections				
2016	**6.9%**	**6.2%**	**4.9%**	**4.4%**
Projections for 2017	**5.8%**	**6.3%**	**7.9%**	**5.2%**
Staffing Changes				
Increasing Staff	**50%**	**40%**	**64%**	**41%**
No Change in Staff	**50%**	**40%**	**27%**	**35%**
Decreasing Staff	**0%**	**10%**	**0%**	**18%**
Unknown at the time	**0%**	**0%**	**9%**	**6%**
Turnover rates (average)				
Voluntary	**21.0%**	**8.0%**	**10.0%**	**9.0%**
Involuntary	**5.0%**	**5.0%**	**2.0%**	**3.2%**

Primary Survey Results by Company Size (continued)

	Under $50M	$50M - $250M	$250M - $1B	Over $1B
Total Cash Compensation				
Merit Pay Increases				
2016	**2.9%**	**3.0%**	**3.0%**	**3.3%**
Projections for 2017	**3.0%**	**3.0%**	**3.0%**	**3.0%**
% EE's with NO Increase				
2016	**0.0%**	**2.5%**	**3.0%**	**3.5%**
Projections for 2017	**0.0%**	**1.0%**	**5.0%**	**4.0%**
Salary Range Movement				
2016	**3.0%**	**1.0%**	**1.8%**	**7.2%**
Projections for 2017	**3.1%**	**2.0%**	**1.6%**	**2.0%**
Bonus Plan Payouts				
% making payouts	**60%**	**100%**	**90%**	**80%**
Payouts as % of Target	**100%**	**100%**	**103%**	**100%**

Primary Survey Results by Company Size (continued)

	Under $50M	$50M - $250M	$250M - $1B	Over $1B
Changes Being Planned by Program				
Changes to Base Salary Plans				
Normal Updates	58%	50%	64%	53%
Thorough review of Non-Exempt status	42%	30%	27%	40%
Install new base pay program	17%	20%	27%	27%
Increasing focus on training, competencies	8%	10%	18%	13%
Special salary ranges for Hot Jobs	8%	20%	0%	13%
Assessment of FLSA Impact				
Planning/Conducting Analysis	45%	40%	44%	82%
Salary increases to selected positions	27%	20%	44%	100%
More people keeping track of time	27%	20%	33%	73%
More communication about impact	27%	0%	22%	55%
Uncertain at this time	0%	20%	11%	0%
Changes to Variable Pay				
Normal Updates	50%	40%	64%	63%
Changing weighting of measures	10%	30%	9%	0%
Changing measures	20%	30%	18%	0%
Changing payout targets	20%	20%	9%	6%
Changes to Sales Compensation				
Normal Updates	100%	100%	86%	58%
Simplifying plan design	20%	0%	14%	33%
Increasing emphasis on new customers	20%	17%	14%	25%
Increasing emphasis on current customers	0%	17%	29%	25%
Changes to Equity Plans				
Normal Updates	100%	100%	86%	86%
Increasing number of eligible people	n/a	n/a	0%	n/a
Changing guidelines for awards	n/a	n/a	14%	n/a

PART V

Summary Observations
and
Overview of Wilson Group

V. Summary Observations and Overview of Wilson Group

We hope that you have enjoyed reviewing this special survey of compensation plans for 2017 and that it has provided important information for your organization. Based on the information presented in this report, we believe there are several important priorities for every organization to consider in making their total compensation plans more effective for the organization and their people.

1. **If the average merit increase is 3.0%, how do you make your top performers feel truly valued?** The survey data showed the exceptional performers were receiving increases between 4.0% - 5.0% or about 1.5x the normal pay increase. Is this sufficient to reward your truly outstanding employees? If not, how else can you demonstrate your appreciation for their contributions?

2. **Since most people will be receiving pay increases, what should be the difference between the highest and lowest?** The number of those NOT receiving merit pay is shrinking. This is shown most dramatically at the 75th percentile. The data shows a decrease (at the 75th percentile level) from 10.5% in 2016 to 5.8% for 2017. There was little change at the median (3% reported as not receiving pay increases in 2016 and projected 2.5% for 2017). How do you or should you differentiate merit pay increases? What are your criteria?

3. **Most companies (80%+) made bonus payouts in 2016 for 2015 performance.** The amounts were at the target payouts (100%). A few companies are examining the effectiveness of these programs and examining both the eligibility and metrics associated with them. Depending on the nature of the strategies and plans for 2017, what elements of your variable pay plans are working for the organization and what elements are limiting its impact? To what extent is the variable pay plan regarded as an entitlement or a true performance reward in the company? What can you do to make it more meaningful for your company and your people?

4. **Over 60% of the companies actively use special award, recognition and spot bonus programs.** What value do or can these programs provide to your organization? Can these programs be designed in a way that reinforces both the performance requirements and the desired culture of the organization? Are these plans used to supplement the cash plans? These programs may provide untapped potential to the resourceful organization to encourage and reinforce desired performance.

5. **Base salary plans are undergoing serious review**. Most companies indicated that little was planned for change in their sales incentive or equity/long-term incentive plans. However, base salary plans are under review. They are focusing on meeting possibly new FLSA requirements, targeting what is needed for “hot jobs” and linking to training, development and career development. How well is your company’s base pay plan working to serve and support your talent management strategies?

If you would like to talk about your compensation plans and programs, and explore ways to improve their effectiveness and make a positive impact on the company, please contact us. We would enjoy working with you to improve the performance in your company.

V. Summary Observations and Overview of Wilson Group

Our Mission: ***"To help our clients assess, develop and implement performance systems and total compensation plans that translate strategy and values into action."***

Our Primary Services:

- Sales effectiveness and total rewards
- Executive total compensation
- Board of directors governance structure and compensation
- Employee total compensation and rewards
- Special studies in market trends and practices

Key Differentiators:

- **Our expertise --** Work with highly seasoned, experienced professionals
- **Our approach --** We engage our clients in a collaborative, open communication fashion
- **More cost effective --** Highly customized, value added to address just what the client needs
- **Innovative insights --** Simplify complex data into easy to understand information and actions plans

Founded: 1994, Concord, MA

Clients and Markets:

We have worked with over 150 clients. They include:

- Technology – iRobot, IANS, Constant Contact, Visual IQ
- Manufacturing – MorphoTrust, Coopers-Atkins, IMTRA, HTP
- Professional services – Copyright Clearance Center, Care.com, Shepley Bulfinch, ZGF Architects
- Healthcare –Dana Farber Cancer Institute, Franciscan Children's, DentaQuest
- Financial services – Quincy Mutual, Boston Mutual, Commonwealth Financial
- Consumer products/Retail – Randolph Eyewear, Aubuchon, ECCO, Gemline, Stavis Seafood, Roche Brothers

V. Summary Observations and Overview of Wilson Group

Wilson Group Leadership Team:

- Thomas B. Wilson, President
- Susan Malanowski, Principal
- Rhonda Farrington, Principal
- Plus a team of 5 other experienced professionals
- Our Network of additional specialized resources:

  Marsh & McLennan Agency - New England (known locally as Bostonian Group) – Executive and Employee Benefits
  Compensation Insights (a national network of boutique peer compensation consulting firms)
  Thomas E. Shea & Associates– Executive and Board Compensation
  Independent Stock Plan Advisors– Global Equity Compensation

Thought Leadership:

- Survey of Trends in Compensation – 2012, 2013, 2014, 2015, 2016
- Survey of Sales Compensation Practices – 2011, 2012, 2013, 2014
- "Goal Setting: What Has Gone Wrong and What Can Be Done" – published WorldatWork Journal, Fall, 2011
- "Changes for Challenging Times – Survey Report on Economic Challenges and Company Responses", 2009
- Innovative Reward Systems for the Changing Workplace (McGraw-Hill)
- Rewards that Drive High Performance (AMACOM)
- Published over 30 articles and book chapters
- Presented at over 100 leading regional and national conferences

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